



ALL EARS!!

The Litchfield Fund Weekly Newsletter

“We just don’t hear it on the street, we have our ears spread across all the fields!!!!”



Litchfield

The most iconic morale-boosting WWII poster produced by the British Ministry of Information was hardly ever displayed during the war! Nearly 2.5 million copies were produced, but they were saved to be displayed after major Luftwaffe bombings. The copies were destroyed just a short time later in a paper salvage drive! The poster disappeared for almost 60 years! An original was found in a bookstore in 2000 and several original copies appeared on *Antiques Roadshow* in 2012. But in these tumultuous economic times, we can literally take action on its iconic message “Keep **CALM** (*CAL-Maine Foods*) and Carry On”!

We put our money where our mouth is! Yesterday for breakfast **The Litchfield Fund** made an organic egg, turkey & veggie bake with a spelt & buckwheat crust. Of course, we used organic Egghland’s Best eggs from Cal-Maine Foods (**CALM**), a holding in our stock portfolio. **CALM** & the market had another wild ride this week, **CALM** closing more than 3% higher. **CALM** reported great earnings numbers with revenue reaching \$610M & EPS coming in at \$2.95. As **CALM** pays out one-third of income in dividends, the dividend for the quarter will be 98.3¢! Revenue was up 70.9% and **CALM** gave 2nd QTR guidance of \$3.51 EPS & \$650M in revenue and a \$11.83 EPS estimate for the fiscal year. Egg prices were up more than 60% for the quarter while feed costs fell 14%. **CALM** was trading at a very reasonable 8.9X earnings when they reported Monday. Of course the stock *fell* more than 12% that day!

This won’t be the first time **The Litchfield Fund** rants & raves about anticipation, expectation & disappointment. Analysts expected **CALM** to register a \$3.14 EPS on somewhat less revenue. Whether it is programmed trading, analysts responding to singular pieces of information, or erroneous perspectives of company & market financials, **CALM** had a great quarter and looks to be a strong growth opportunity going forward. The stock corrected as the week progressed, and lucky were those who jumped on **CALM** when it was 20% lower than its Friday close!

Market news: The market as a whole suffers from the same issues. While the recovery of oil prices fueled Friday’s rally, the market continues to anticipate the FED eventually increasing rates. Though the latest data (including Friday’s jobs report) suggests a rate increase may not come this year, it remains nearly impossible to imagine that this rate increase has not been anticipated by investors. Like the constipated canary, everyone has just been waiting for it to happen, and it has been front & center of thought and consideration for more than a year. But

despite the market reacting to China's lack of growth, Europe's risks, a weak (but recovering) Euro, energy prices & current treasury yields, stocks still hold the best possible returns.

Working through their venture arms Sagamore Ventures & War Horse, Under Armour founder Kevin Plank & his brother Scott Plank put \$5M into condiment maker *Tessemae's All Natural* last week. Tessemae's uses 100% olive oil & satisfies the requirements for vegan & paleo diets. *The Honest Company*, founded in 2012, closed a \$100M series D funding round. Starting with just 17 products, The Honest Company now has more than 120 baby, personal & home care products in 4,000 retail outlets. Saffron Road parent American Halal acquired *Mediterranean Snack Foods*, the maker of Baked Lentil Chips & other snack brands.

Portfolio News: ConAgra (**CAG**) announced that it will move its corporate headquarters from Omaha to Chicago. The move will impact jobs in both Omaha & Chicago suburb Naperville. Part of the company's \$300M restructure, **CAG** feels Chicago gives them better access to talent & other industry partners & companies. Illinois tax-incentives helped to finalize the move. Likewise, Whole Foods Market (**WFM**) announced the reduction of 1,500 jobs, 1.6% of its work force. **WFM** is preparing for the '365 Market' introduction & is responding to the need to lower its prices. This week analyst Jim Cramer espoused an opinion on **WFM** that *All Ears!!* has previously suggested, though of course Mr. Cramer did so much more eloquently. Wall Street does not properly evaluate **WFM**, as **WFM** looks to maximize return on investment and not sales & income. **WFM** doubles its competitors on sales per square foot, has no balance sheet debt to speak of, and makes a profit on the locations it opens, integrating itself in the neighborhood with taverns & gathering places. **WFM** should be evaluated more like a privately held entity, and should perhaps consider a private equity take out. Lifeway Foods (**LWAY**) reported lower than expected first half earnings & the stock fell 12%. Growth has been essentially flat, despite the introduction of new products & flavors. Whitewave Foods (**WWAV**) & Hain Celestial (**HAIN**) are in oversold conditions & have price targets with considerable appreciation. Boulder Brands (**BDBD**) has upside price targets to \$15 but averages a \$10 target. Natural Grocers by Vitamin Cottage (**NGVC**) has a \$31.71 price target, 30% plus higher than Friday's close. Post IPO Zoe's Kitchen (**ZOES**) sells at 2.5X sales, still relatively inexpensive compared to other recent IPOs like Shake Shack.

Seeds, Sprouts, Grow, Harvest!

The Litchfield Fund

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